



# **EXPANDING SOURCES OF INVESTMENT IN HUMAN CAPITAL IS TO INCREASE THE HUMAN CAPITAL INDEX OF THE COUNTRY**

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## **Abstract**

*This article thoroughly discusses ways to increase the country's human capital and identify available investment opportunities. In addition, the main areas of human capital, that is, the amount of financial resources for the development of health and education, as well as the objects of state and foreign investments are highlighted in the article. Currently, it is shown that the human capital index is evaluated based on the current indicators, and the directions for increasing the index in the future are determined and recommendations are made.*

*Keywords: Human capital, human capital index, investment, economic growth, factor, education, healthcare system*

## **INTRODUCTION**

A number of measures are being implemented in our country to develop human capital. In particular, in the President's address to the Oliy Majlis on December 29, in 2020 "We have to set ourselves the great goal of establishing the foundations of the Third Renaissance in our country, for young generations. We need to create an environment and conditions that will educate the youth like Ulugbek, Navoi and Babur. In this, first, the development of education and training, the establishment of a healthy lifestyle, the advancement of science and innovation are the main pillars of our national idea and should be served" [1]. This inspired all the people of Uzbekistan to new ideas.



A person and his abilities, knowledge, skills have become the main factor of the well-being of any society and the economic development of the state. Today, human capital is undoubtedly a priority of socio-economic policy in Uzbekistan. Because the development of human capital is a necessary condition for the development of innovative economy, knowledge economy, investments, global information systems, the latest technologies and new forms of business.

In our country, a number of efforts are being made by the state and population to increase human capital. The investments are paying off. In order to create innovative human capital, every family of the country and the children born in it should be directed to acquire knowledge from an early age, instill in their hearts a desire for science, love for work, and educate them with the latest technologies, world-standard textbooks and manuals.

Poverty is not just a lack of money, because knowledge is the key to take advantage of the opportunities in society, and skills ensure social progress and economic growth. This phenomenon calls for continuous funding of education. The level of human capital can be assessed based on several methods. Traditionally, economists measure this by the earnings of people with more education. Studies have shown that each additional year of education increases a person's income by an average of 10 percent. Investments in education also reduce social inequality in society. In most countries, children born in relatively wealthy families begin to use wide opportunities from childhood and acquire a number of advantages and comforts throughout their life. On the contrary, the children of disadvantaged families are deprived of such opportunities. Therefore, it is appropriate to make investments in human capital in order to develop the economy of our country and increase the role of human capital in the structure of the gross domestic product. and for this, the analysis of conditions and opportunities, the effective use of existing opportunities, the development of scientific proposals and practical descriptions for solving problems related to the field are of urgent importance.

## LITERATURE REVIEW

G. Becker, P. Drukker, A. Dobrnin, S. Dyatlov and others in their theories indicate human knowledge and intelligence as the main indicator of human capital. In particular, G. Becker developed the theory of human capital from the point of view of investments. According to his theory, human capital is "the stock of knowledge, skills and motivation of each person. Investments in education, professional experience, health care, geographic mobility, income and price information search can be made in it" [2].

P. Drucker wrote: "The only competitive advantage of developed countries remains the resources of skilled labor." The difference between skilled workers and unskilled workers

employed in production is that they own the means of production: they are the carriers of knowledge" [3].

The theory of human capital is also mentioned in the works of Russian scientists A. Dobrnin, S. Dyatlov. They defined human capital as "investments that are purposefully used in one or another area of social reproduction, contribute to the growth of production efficiency and labor productivity, as well as affect the growth of a person's salary (income) and health accumulated by a person considered as "capital formed as a result of a certain reserve of knowledge, skills, abilities, motivations" [4].

By the end of the 20th century and the beginning of the 21st century, a number of scientific works were carried out on the theory of human capital. Also, in our country, a number of scientists are conducting scientific research on human capital and its factors. According to K. Kh. Abdurakhmanov, "human capital is a factor of economic growth, and achieving human development achievements in the republic implies increasing investments in human capital" [5]. "Human capital in a narrow sense represents a person's intellect, health, knowledge, quality and productive work and his quality of life, in a broad sense, human capital is an intensive production factor of economic development, development of society and family, work the educated part of its resources, intellectual and managerial labor, living and working environment" [6].

## **METHODOLOGY**

In this article, human capital, its components and directions for their improvement were studied. Also, comparative and statistical analysis methods were used within the topic.

## **ANALYSIS AND RESULTS**

The theory of human capital has collected enough scientific tools to clearly define the nature, content, types, evaluation and regulation methods of any enterprise capital. The issue of human capital is widely covered in scientific, practical and educational literature. Human capital, as an economic category, has become one of the general economic basic concepts that allow describing and explaining many economic processes through the prism of human interests and behavior.

Human capital is a certain reserve of health, knowledge, skills, abilities, motivation, formed as a result of investments and accumulated by a person, used appropriately in the work process, helping to increase his productivity and income. This definition of human capital is used as a starting point in this dissertation and is sufficient to address the identified tasks. It

should be added that the use of human capital increases not only the income of the employee, but also the income of enterprises and the state.

Investment has a special place in the socio-economic development of the country. For this reason, attention is focused on attracting investment to the economy as a priority direction of the country's socio-economic development strategy. Investments, regardless of their scale, are recognized as an important factor in economic growth. Therefore, conditions for the investment environment in the country are sufficiently created. In particular, our country has political stability, legal framework for foreign economic activity, established infrastructure, convenient geographic location, and sufficient mineral and raw material and labor resources. Based on scientific research, it should be noted that investments in human capital are financed by the public and private sectors, families and individuals. In particular, in 2021, a high level of attention was paid to the issue of investments in human capital. As a clear example of this, as stated in the Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Senate and the Legislative Chamber of the Oliy Majlis, the level of preschool education coverage of young children has doubled over 4 years and reached 60%. The number of kindergartens increased by 3 times and exceeded 14 thousand. This year, the admission parameters for higher education have increased by 2.5 times compared to 2016, the level of coverage of our youth with higher education has reached 25% from 9%. For the first time, about a thousand girls from needy families were admitted to higher educational institutions on the basis of special state grants [7].

The World Bank has published the human capital index of the countries of the world for 2020. For the first time, this ranking, which includes 174 countries where 98% of the world's population lives, includes information on the health and education sector in Uzbekistan. This data covers the period up to March 2020 and serves as a key indicator of children's health and education before the pandemic. Investing in human capital (the knowledge, skills, and health accumulated over a lifetime) plays a key role in realizing a child's potential and accelerating economic growth in every country. It should be noted that the human capital index measures the extent to which a child will become an effective employee in the future. The value of the index ranges from 0 to 1, and the closer the value is to 1, the more mature the children of today will be in the future. According to a new analysis by the World Bank Group, the COVID-19 pandemic is threatening the gains made in health and education over the past decade, which could hit the poorest countries particularly hard. Analyzes show that before the pandemic, most countries achieved stable growth in the formation of human capital in children. This indicator has the highest result in low-income countries. However, despite this progress, and until the impact of

the pandemic began to be felt, a child born in a normal country could hope to achieve only 56 percent of the potential level of human capital, given full education and health care.

Due to the pandemic, the majority of children (more than 1 billion) did not go to school, and the loss of an average of six months of education meant for education resulted in significant economic losses. Uzbekistan, which participated in these studies for the first time, showed a result of 62 percent. That is, Uzbekistan ranks after the Republic of Belarus (70 percent), Russia (68 percent) and Kazakhstan (63 percent) among the CIS countries [8]. On the scale of the Central Asian countries, except for Kazakhstan and Uzbekistan, Kyrgyzstan showed 60% and Tajikistan 50%.

Table 1. The amount of the human capital index of the countries in 2020

Components of Human Capital Index 2020						
components	Children under 5 years of age are likely to survive	Primary education and training from duration pending quality results	International test results	Secondary education study from duration pending quality results	Older generation viability	HCI (Human capital index) 2020
States						
Uzbekistan	0.98	12.0	474	9.1	0.87	0.62
Russia	0.99	13.7	498	10.9	0.80	0.68
Tajikistan	0.97	10.9	391	6.8	0.87	0.50
Kazakhstan	0.99	13.7	416	9.1	0.87	0.63
Kyrgyzstan	0.98	12.9	420	8.7	0.85	0.60

In 2022-2023, our universities increased 2.5 times to 198, the coverage level increased from 9% to 38%. Academic and financial independence were granted to 41 universities, transformation offices were opened in them. University rectors, professors and teachers are actively involved in these processes, and new, advanced methods are being introduced. This year, 1.5 trillion sums were allocated to science and innovation. This means almost 6 times more than in 2017. The salary of scientists has also been increased by 4.5 times. Due to all this, 18 new scientific directions, such as biotechnologies, digital geology, were established. Next year, 1.8 trillion sums will be allocated for science and innovation. Now our scientists can show clear results in areas such as water and energy conservation, soil fertility and productivity, geology, industry, and construction. For 2021, 2223.3 billion sums have been allocated to higher education institutions, of which 1,302.0 billion sums are for salaries and equivalent payments, 762.1 billion sums are for scholarships, and 159.2 billion other expenses billion sums. The

number of higher education institutions financed from the budget is 110, the state units are 18,409, of which 8,953 are teachers-professors, and the number of students at the end of the year is 115,848 [8].

In order to strengthen the material and technical base of higher education institutions, the total cost is 114.03 million with the participation of the World Bank, the Islamic Development Bank and the Asian Development Bank. Three investment projects are being implemented. Within the framework of these projects, higher education institutions will receive 56.6 million in 2019-2022. 368 modern educational facilities worth USD 12.0 million, 7 scientific laboratory kits and 2.3 million dollars equipment with dollar information communication techniques is envisaged. To date, within the framework of these projects, 40 higher education institutions have received 17.5 million dollars, 112 educational programs worth 10.3 million dollars, 5 sets of scientific laboratories and 86 higher education institutions worth 2.3 million dollars equipped with information communication techniques. Also, within the framework of these projects, a contract was signed with the International "Elsevier" company (Netherlands). According to this agreement, students, professors and researchers of higher education institutions are using about 10,000 online books and more than 750,000 online journals in the Elsevier company's electronic database.

In 2022, within the framework of the projects implemented, 58 higher education institutions will receive 24.3 million dollars for 152 educational and 7 higher educational institutions worth 1.7 million dollars. It is planned to equip 2 scientific laboratories with sets worth \$ 100,000, and to strengthen the material and technical base of 6 professional educational institutions and improve the quality of education. According to the 2022's Investment Program, 25.2 million-dollar investment funds are set to be used up to 7.9 (100% of the plan) million by the end of 6 months of 2022 were appropriated. In 2022, the Ministry of Higher and Secondary Special Education, with the participation of Indian Exim Bank, will provide a total cost of 50.0 million dollars. Within this project, it is planned to equip higher education institutions with modern information and communication technologies. Also, in the coming years, with the participation of Korea Exim Bank, the total cost will be 50.0 million dollars. It is planned to implement the project "Strengthening the material and technical base of professional educational institutions" worth USD.

Our economy is being transformed on the basis of the principle of "for human dignity" in order to further increase the well-being of our people. Of course, these changes are carried out based on a certain direction and goals, with a view to a specific result. Development strategy of New Uzbekistan for 2022 - 2026, consisting of seven priority directions, developed based on the principle of "From the strategy of actions to the strategy of development" as a result of a broad

public discussion, taking into account the conditions of the citizens of our country and the areas that need to be developed and the state program for its implementation in the "Year of Honoring Human Value and Active Neighborhood" was approved [9]:

- building a people-friendly state by increasing human dignity and further developing a free civil society;
- making the principles of justice and the rule of law the most basic and necessary condition for development in our country;
- rapid development of the national economy and ensuring high growth rates;
- fair social policy, development of human capital;
- ensuring spiritual development and bringing the industry to a new level;
- approach universal problems based on national interests;
- strengthening the security and defense potential of our country, conducting an open, pragmatic and active foreign policy.

It is doubtful that all the approved directions serve to increase human capital. Taking into account the factors of human capital, within the framework of the development strategy, from April 1, payments of up to 3 million sums per month of parents who send their children to non-state preschool educational organizations and schools will be subject to income tax. Furthermore, in order to adapt the secondary education system to modern requirements, it was decided to allocate 605 billion sums from the state budget for the implementation of the program of updating textbooks in general secondary educational institutions.

In order to bring the quality of education to a new level in the pre-school education system, the obligation to introduce an improved system of improving the professional training and skills of kindergarten employees and to improve the qualifications of more than 160,000 pedagogues in 2022-2026 was imposed.

By introducing the national school development program, it was decided to create an additional 1.2 million student places in the public education system. Also, it is planned to develop and implement a national program that envisages increasing the number of private schools, building new schools, and improving the quality of education. It has been decided to increase the number of places in schools to 6.4 million by the end of 2026. By 2026, by expanding opportunities and conditions for private schools, their share was set to increase to 8% and in 2022 to 3%.

In 2022-2026, to launch the activities of more than 100,000 free clubs equipped with equipment for young people to acquire knowledge and skills in the field of computer and IT technologies, and to develop 217 "Barkamol Avlod" children's schools implementation of the program was determined.



Currently, children in remote areas and rural areas face problems in transportation to school and pre-school educational institutions. For this reason, as a solution to the problems in the development strategy, it has been planned to establish transportation to schools and pre-school educational institutions in remote areas and rural areas.

## CONCLUSIONS AND SUGGESTIONS

In conclusion, it should be noted that in order to increase the state's human capital index, it is necessary to invest in its main areas first. It is important to attract financial resources for the development of investment objects. Family, state and foreign organizations play an important role as investment subjects. It is very important to finance and invest in the following areas in increasing human capital:

- firstly, the state budget of the health sector, which is considered the main factor of human capital, and financing by foreign organizations cause an increase in the human capital index;
- secondly, in order to increase the role of women in society, it is the best way to allocate loans by banks to women with low profitability to start their own businesses;
- thirdly, granting financial independence to higher education institutions will allow universities to improve not only their material and technical bases in the future, but also to attract foreign professors;
- fourthly, by further quantitatively increasing the number of existing specialized schools in the country, it will be achieved that young generations will study basic fundamental sciences in depth which, in turn, creates a basis for increasing human capital.

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